



# House of Representatives

General Assembly

**File No. 330**

*January Session, 2007*

Substitute House Bill No. 7032

*House of Representatives, April 4, 2007*

The Committee on Commerce reported through REP. BERGER of the 73rd Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

## ***AN ACT CONCERNING THE RETENTION OF STATE JOBS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1       Section 1. (*Effective July 1, 2007*) The Governor shall review all state  
2       contracts in effect on July 1, 2007, and identify any state contracts  
3       under which services are being provided outside Connecticut or  
4       outside the United States. Not later than January 1, 2008, the Governor  
5       shall prepare a report listing the contracts under which state funds are  
6       being paid for (1) services performed outside Connecticut, and (2)  
7       services performed outside the United States. Such report shall also  
8       include an assessment of the economic costs and benefits of any  
9       outsourced contracts. Such report shall be made available to the public  
10      in hard copy and accessible electronically by means of the Internet or  
11      other media or systems.

12      Sec. 2. (*Effective from passage*) (a) There is established a task force to  
13      evaluate and identify, within available resources, reasons businesses in  
14      Connecticut enter into contracts under which services are provided or  
15      goods are being manufactured outside Connecticut or outside the

16 United States and, in particular, evaluate how Connecticut's tax  
17 structure, business regulations, energy costs and health insurance costs  
18 affect such contracts.

19 (b) The task force shall consist of the following ten members:

20 (1) One appointed by the speaker of the House of Representatives;

21 (2) One appointed by the president pro tempore of the Senate;

22 (3) One appointed by the majority leader of the House of  
23 Representatives;

24 (4) One appointed by the majority leader of the Senate;

25 (5) One appointed by the minority leader of the House of  
26 Representatives;

27 (6) One appointed by the minority leader of the Senate;

28 (7) One appointed by the Governor;

29 (8) One member of the joint standing committee of the General  
30 Assembly having cognizance of matters relating to commerce;

31 (9) One member of the joint standing committee of the General  
32 Assembly having cognizance of matters relating to finance; and

33 (10) The Business Advocate, as established in section 32-725 of the  
34 general statutes.

35 (c) Any member of the task force appointed under subsection (b) of  
36 this section may be a member of the General Assembly.

37 (d) All appointments to the task force shall be made no later than  
38 thirty days after the effective date of this section. Any vacancy shall be  
39 filled by the appointing authority.

40 (e) The speaker of the House of Representatives and the president  
41 pro tempore of the Senate shall select the chairpersons of the task

42 force, from among the members of the task force. Such chairpersons  
43 shall schedule the first meeting of the task force, which shall be held no  
44 later than sixty days after the effective date of this section.

45 (f) The administrative staff of the Office of the Business Advocate  
46 shall serve as administrative staff of the task force.

47 (g) Not later than January 1, 2009, the task force shall submit a  
48 report on its findings and recommendations to the joint standing  
49 committee of the General Assembly having cognizance of matters  
50 relating to commerce, in accordance with the provisions of section 11-  
51 4a of the general statutes. The task force shall terminate on the date  
52 that it submits such report or January 1, 2009, whichever is later.

53 Sec. 3. (NEW) (*Effective October 1, 2007*) (a) Each request for  
54 proposals issued by a state agency for a contract for the performance of  
55 services (1) shall require that each proposer submitting a proposal  
56 pursuant to such request disclose the location or locations where the  
57 services under the contract and any subcontract under the contract  
58 would be performed and whether any such services would be  
59 performed outside Connecticut or the United States, and (2) may  
60 include criteria for the awarding of the contract that consider the  
61 economic impact to Connecticut and residents of the state of the  
62 location or locations where services under the contract would be  
63 performed and, all other factors in awarding the contract being equal,  
64 give a higher rating for services performed in the United States.

65 (b) If a state agency awards a contract for the performance of  
66 services to a proposer based on criteria that the services under the  
67 contract and any subcontract be performed in the United States, such  
68 contract shall (1) require the contractor to notify the state agency if  
69 such contractor or any subcontractor subsequently performs any of the  
70 services under the contract outside Connecticut or the United States,  
71 and (2) establish remedies if the contractor wilfully or intentionally  
72 fails to notify the state agency in the event such contractor or any  
73 subcontractor subsequently performs any of the services under the  
74 contract outside the United States and the performance of such

75 services in the United States was a material obligation of the contract.

76 Sec. 4. (NEW) (*Effective October 1, 2007*) There is established within  
77 the office of the Attorney General, within available appropriations, an  
78 office that shall be responsible for assisting manufacturers and other  
79 businesses operating in the state in protecting their patents and  
80 businesses from unfair and illegal competition from businesses  
81 operating outside the United States.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>July 1, 2007</i>	New section
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>October 1, 2007</i>	New section
Sec. 4	<i>October 1, 2007</i>	New section

**LAB**      *Joint Favorable C/R*

CE

**CE**      *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

### **OFA Fiscal Note**

#### **State Impact:**

Agency Affected	Fund-Effect	FY 08 \$	FY 09 \$
Department of Administrative Services; Various State Agencies	Various - None	None	None
Attorney General; Legislative Mgmt.	GF - Cost	Minimal	Minimal

Note: GF=General Fund

#### **Municipal Impact:** None

#### **Explanation**

**Section 1** of the bill requires the governor to prepare a report by January 1, 2008 listing all existing state contracts for services performed outside of Connecticut or the United States. The report must assess the economic costs and benefits of any outsourced contracts.

It is expected that the workload associated with this report will be handled by individual state agencies and is not anticipated to require additional resources. For example, the Department of Administrative Services has hundreds of contracts that will need to be reviewed in order to identify how many are performed outside of Connecticut or the United States.

**Section 2** establishes a task force to study why Connecticut businesses contract outside the state or the country for goods or services. The task force must report its findings and recommendations to the Commerce Committee by January 1, 2009.

The bill permits members of the General Assembly to participate on the task force, and requires the administrative staff of the Office of the Business Advocate (OBA) to provide administrative assistance. The

Office of Legislative Management would incur minimal costs associated with mileage reimbursement of 48.5 cents per mile for legislators participating on the task force. The OBA is within the Office of Policy and Management (OPM), and is funded as an Other Current Expense account line item. Currently, the OBA has no administrative staff. To the extent that the OBA does not have the personnel to staff the task force it is anticipated that OPM will assist the Business Advocate in fulfilling his duties under the bill.

**Section 3** of the bill allows request for proposals for service contracts to include criteria for awarding the contract that considers the economic impact to Connecticut and its residents. An agency may give a higher rating to a proposal that would perform the service in the United States, all other factors in awarding the contract being equal.

As this language is permissive, it is expected that the state would award contracts based on locational criteria only where it is in the best interest of the state and does not violate the Code of Federal Regulations.

**Section 3** also requires that contracts awarded based on locational criteria must include remedies if the contractor willfully or intentionally fails to notify a state agency that it performed any of the contracted work outside Connecticut or the United States. The fiscal impact of this provision is unknown as the bill does not indicate what type of remedies may be included in the contract.

**Section 4** of the bill requires the Office of the Attorney General (OAG) to assist manufacturers and other businesses based in the state in protecting their patents and businesses from unfair and illegal competition from businesses based outside the United States. As the United States Trade Representative has sole jurisdiction in these matters, it is anticipated that the OAG would act primarily as a clearinghouse for inquiries about what a manufacturer should do if it encountered patent infringement, dumping of competing products or some other violation.

The OAG would incur costs, which are anticipated to be minimal, to develop contacts with the federal government and engage in training opportunities in order to better serve Connecticut business under the bill. Since the bill requires that these duties be accommodated by the agency, “within available appropriations,” the OAG would need to reallocate resources from other functions to carry out its duties under the bill.

***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

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**OLR Bill Analysis****sHB 7032*****AN ACT CONCERNING THE RETENTION OF STATE JOBS.*****SUMMARY:**

This bill:

1. requires state service contract proposals to disclose where the bidder will perform the contracted services,
2. allows state agencies to require contractors to perform contracted services within the United States, and
3. sets conditions for agencies to give bid preferences to services originating in this country.

The bill requires the governor to prepare and make public by January 1, 2008 a report listing all existing state contracts for services performed outside Connecticut or the United States. The report must assess the contracts' economic costs and benefits.

The bill also establishes a task force to study why Connecticut businesses contract outside the state or the country for goods or services. The task force must report its findings and recommendations to the Commerce Committee by January 1, 2009.

Lastly, the bill establishes, within available appropriations, an office within the attorney general's office to help Connecticut manufacturers and other businesses protect their patents and operations from unfair and illegal foreign competition.

EFFECTIVE DATE: October 1, 2007, except for the governor's report requirement, which is effective July 1, 2007, and the task force, which is effective upon passage.



**SERVICE CONTRACTS (§ 3)**

Under the bill, state agencies must require entities responding to a request for proposals to disclose where the services will be performed under the contract and any subcontract and whether any of the contracted services will be performed outside the country.

The bill allows agencies to award contracts based on the location where services will be performed. They may do this by adopting criteria that considers how these locations affect the state's economy and people (i.e., locational criteria). An agency may give a higher rating to a proposal providing services in the United States if it is equal in all other respects to the other competing proposals.

Contracts or subcontracts awarded based on the locational criteria must require the contractor to notify the agency if it or any subcontractor subsequently performs any of the contracted work outside the country. The contracts must also establish remedies if:

1. the contractor willfully or intentionally fails to notify the contracting agency of the move, and
2. the contract materially obligated the contractor or subcontractor to perform the services in the country.

The bill does not indicate what type of remedies may be included in the contract.

**CONTRACT REVIEW (§ 1)**

The bill requires the governor to examine all state service contracts in effect on July 1, 2007. She must, by January 1, 2008, list those that provide services performed outside Connecticut and the United States and assess the contracts' economic costs and benefits. The report must be made public and available in hard copy or accessible through the Internet, or other media or systems.

**OUTSOURCING TASK FORCE (§ 2)*****Mission***

The bill establishes a task force to evaluate and identify, within available resources, why Connecticut businesses contract outside the state or country for goods or services. The task force must evaluate how the state's tax structure, business regulations, energy costs, and health insurance costs affect such contracts.

***Membership and Organization***

The members of the 10-person task force include the state business advocate (CGS § 32-725), one person from each of the Commerce and Finance, Revenue and Bonding committees, and seven appointees. The governor, Senate president pro tempore, Senate majority leader, the Senate minority leader, the House speaker, the House majority leader, and the House minority leader each appoint one person.

The bill does not indicate which members of the legislative committees will serve or who will select them.

All appointments must be made no later than 30 days after the effective date of the bill's task force section (upon passage). Task force members may be legislators and the appropriate appointing authority must fill any vacancies.

The House speaker and the Senate president must select the task force chairpersons from among the members. The chairperson must schedule the first meeting, which must take place no later than 60 days after the bill's passage. The Office of the Business Advocate's administrative staff serves as the task force's administrative staff.

***Outsourcing Report Deadline***

The task force must submit the report on its findings and recommendations to the Commerce Committee no later than January 1, 2009. The task force terminates on the date that it submits the report or January 1, 2009, whichever is later.

**COMMITTEE ACTION**

Labor and Public Employees Committee

Joint Favorable Change of Reference

Yea 9 Nay 1 (03/13/2007)

Commerce Committee

Joint Favorable Substitute

Yea 13 Nay 6 (03/20/2007)